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FIRST COUNTRY COOPERATION FRAMEWORK FOR YUGOSLAVIA (1997-1999)

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INTRODUCTION

1. The first country cooperation framework (CCF) of the Federal Republic of Yugoslavia outlines the areas of focus agreed upon for the use of UNDP-managed resources for the period 1997-1999. It was prepared following a broad consultative process with all relevant local and international partners, including the Federal Ministry of Development, other government ministries, public institutions, United Nations organizations, multilateral and bilateral donor agencies and non-governmental organizations (NGOs).

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

2. The Yugoslav economic and social situation is undergoing profound developmental transition that began in the early 1990s with the disintegration of the former Socialist Federal Republic. Prior to 1990, Yugoslavia had net contributor country status with UNDP and was considered an industrialized country, in the human development index (HDI) ranks of "high human development". The country's situation deteriorated rapidly with the break-up into individual republics and the ensuing conflict in the nearby region, combined with the imposition in 1992 of economic sanctions by the international community. The combined effects of the shrinking internal market, over 600,000 refugees from the war region, and the inability to import essential goods led by 1995 to a decline in installed production capacity to 30 per cent of pre-1990 levels, an unemployment rate of 34 per cent (over one million people), and a drastic decline in the standard of living for the total population. The 1996 National Human Development Report (NHDR) revealed an HDI rank of only .688, in the middle of the "medium human development" range.

3. From a sustainable human development (SHD) perspective, the present situation offers considerable challenges. Regarding poverty, the 1996 NHDR revealed a drastic decline in the standard of living, with more than one fourth of the population living below the poverty line. Compared with the pre-crisis period, real income decreased by 40 per cent, affecting all strata of society, particularly the urban population and families with children. Education, health care, social services and pension systems have been adversely impacted. Regarding gender, while gender equality is fairly well established in Yugoslavia, women have borne the brunt of the current crisis. The great majority of the refugees are women, children and the elderly; women comprise 55 per cent of the unemployed, and women's traditional role of sustaining the household has become more difficult. Regarding the environment, great emphasis was placed on industrial production, with a consequent disregard for the long-term impact of industrial pollution. Regarding governance, the region's rapid transition to a multi-party democracy constitutes a demanding challenge for Yugoslavia as its central and new local and non-governmental institutions gain sufficient maturity to manage the nation's affairs in this new environment. The challenge is particularly acute in light of the economic, social and humanitarian crises that must be faced largely without the external assistance available to most other countries in similar circumstances. Regarding the economy, the decline in the HDI can largely be attributed to the drastic decline

in gross domestic product noted above, since life expectancy and literacy have changed little since 1990. A further result of the crisis was the suspension of the process of economic transition; at the same time, the economic sanctions noted above caused economic stagnation and hyperinflation in 1993. Since then, however, economic stabilization has been achieved, and with the lifting of sanctions the outlook has improved - a preferential trade agreement was approved with the European Union in April 1997.

4. This analysis shows that improving the economy as a result of social and economic reform is a major priority for Yugoslavia. To this end, the Federal Government has established a short-term development goal of recovering from the downturn experienced in the first half of the 1990s and taking up the fundamental changes initiated in 1989. Only with high economic growth resulting from economic reform can full production be established, employment generated, and resources obtained to sustain previous levels of health care, education, pensions and other needs of the population. The three aspects of this goal are (a) instituting the legal and policy framework necessary for transition to a market economy; (b) restructuring the economy both at the macro level by moving away from the production of raw materials, food and energy, and at the enterprise level through increasing emphasis on small and medium-sized industries; (c) attracting foreign capital and investment. Emphasis will also be placed on sustaining the social safety net, taking the steps needed to reactivate membership in international political, economic and financial organizations, and ensuring that the needs and rights of the refugees in the country are adequately accommodated.

5. As an indication of its commitment to this approach, the Federal Government intends to set up a high-level advisory board for reforms and charge it with the responsibility for carrying out the necessary measures.

II. RESULTS AND LESSONS OF PAST COOPERATION

6. Patterns of external development assistance. Development assistance to Yugoslavia has been restricted to humanitarian aid since the adoption of General Assembly resolution 92/27, by which regular programming by UNDP and the rest of the international development community was suspended. Humanitarian aid presently engages as many as 30 international agencies from the United Nations family, bilateral agencies and NGOs. The Office of the United Nations High Commissioner for Refugees (UNHCR) plays a key role in this area, particularly as regards refugees. The 1996 Humanitarian Appeal secured between $46-48 million, an amount that is unfortunately far below what is needed. To date, no major international donor has prepared a programme of assistance for Yugoslavia. Given the intentions of the Government and the need to return to normalcy, there are plans to re-establish such contacts with the international community.

The role of the United Nations system, and the role of UNDP

7. The following United Nations specialized agencies are represented in Yugoslavia, focusing, as mentioned above, primarily on humanitarian aid and other related activities: the International Tribunal for Former Yugoslavia; the United Nations High Commissioner for Human Rights; the Office of the United

Nations High Commissioner for Refugees; the United Nations Children's Fund; the World Food Programme; the World Health Organization. UNDP is represented by its liaison office, supported by the UNDP services centre in Bratislava, which is in daily contact with the other United Nations agencies and which participates in the regular coordination meetings held under the auspices of the liaison office. When sanctions were lifted in 1995, UNDP began preparatory work for the eventual resumption of development operations in selected areas relating to governance and to the transition from humanitarian assistance to development and four preparatory assistance projects were approved to strengthen social and health-care institutions assisting refugees. The 1996 National Human Development Report (NHDR) was also prepared with UNDP support.

Lessons learned

8. UNDP has a long tradition of cooperation with Yugoslavia, mainly in technology transfer fields. In the fifth cycle programme, a major shift was proposed towards sustainable human development (SHD) in support of strategic transitional reforms that were being introduced at the end of the 1980s. Although planned activities were suspended in 1992, the Government gained knowledge during the fourth cycle about the unique value and potential of UNDP as a development partner beyond its traditional technology transfer role.

III. PROPOSED STRATEGY AND THEMATIC AREAS

9. In light of the situation outlined above, it is proposed that the main objective of overall UNDP cooperation in Yugoslavia for the 1997-1999 period be to provide strategic, SHD-oriented support to national efforts towards social and economic reform necessary to rebuild the country. The NHDR will be utilized as a means to ensure that SHD objectives remain in the forefront during the formulation of UNDP-funded activities. Specifically, UNDP can contribute to Yugoslavia's return to normalcy as follows: (a) as an impartial catalyst to bring the various national and international stakeholders together to design appropriate and responsive development policies, strategies and programmes; (b) as a source of international expertise to ensure that national programmes and policies take advantage of global learning and international best practices; (c) as a sponsor to pilot policy and programme options that the Government may want to observe before committing itself to them.

10. In essence, the CCF will strive to bring to the country's reform process and development efforts all relevant parties, global best practices, and SHD themes, including gender in particular. In doing so, it will concentrate on the following four areas:

(a) Advisory services for preparing development strategies and programmes;

(b) External resources management for development cooperation;

(c) Community-based development, emphasizing self-governance and participation;

(d) Preparation of an environmental action and investment programme.

A. Advisory services for development strategy and programming

11. Legislation and other reform measures are being initiated to accelerate economic growth. Laws on privatization and on information policy have been prepared and are being exposed to public debate while comparable legislation for social sector services, restructuring of banks, taxation measures, etc., are scheduled to be launched by the end of 1997. More generally, the State needs to redefine its identity and role and to respond to pressures for change induced by economic actors, citizens, civil society institutions, and global economic and political changes. In response to these pressures, the country is committed to fundamental reforms aimed at the creation of an enabling environment in which all can enjoy long, healthy and creative lives.

12. To support this reform effort, UNDP will help to establish an advisory services programme that will provide national and international professional expertise to assist in accelerating and enriching the process of reform in all its sectors and dimensions. UNDP will play a catalytic role in mobilizing national and international funds and will facilitate the implementation of this complex task. Thanks to its flexible, and an "umbrella" design, this facility will offer a pragmatic, responsive framework for the range of needs emerging from the dynamic reform process. In addition to supplying expertise, international workshops will be organized to address policy options and support mechanisms in key reform areas such as local self-governance, socio-economic transition and democratic changes, small and medium-size enterprise (SME) promotion, and privatization.

13. This area of concentration will be deemed successful if, through UNDP-sponsored interventions, the Government is able to design policies and action-oriented programmes that promote reform and SHD.

B. External resources management for development cooperation

14. The capacities of the Government bodies responsible for aid management must be strengthened to ensure the most effective use of international donor resources. At the same time, civil society institutions must become more actively involved in development cooperation activities. In addition, as United Nations humanitarian agencies gradually leave the country, national entities responsible for the administration and coordination of emergency assistance must be able to take over internationally managed humanitarian activities.

15. This area of concentration will therefore focus on aid management as a critical dimension of national development programming. Specific components will include improving government/donor coordination mechanisms such as the country strategy note; setting up information systems needed for development programming such as the NHDR; strengthening aid accountability through auditing systems for the national execution of UNDP projects; instituting programming tools and services for UNDP and other donor agencies; facilitating linkages with ongoing regional and interregional development activities supported by the United Nations and UNDP; strengthening national agencies responsible for the management of humanitarian activities.

16. This area of concentration will be deemed successful if, through UNDP-sponsored interventions, nationally managed SHD programmes are designed with the involvement of the entire Yugoslav society.

C. Community-based development

17. In light of the situation prevailing as a result of the transition process, the design and implementation of reforms relating to decentralization and local governance will need to pay particular attention to participation and consensus-building in order to ensure the relevance and appropriateness of national policy decisions. This area of concentration will present pragmatic approaches to development issues (derived from the workshop on local self-governance noted in paragraph 12). Among other outcomes, it will demonstrate the feasibility of promoting national development priorities through capacity-building efforts for local governments and community-based organizations, and will also establish channels for lower governmental levels to contribute to macro-policy formulation on local development issues (SME development, support to rural institutions, role of non-governmental organizations (NGOs), job creation, etc.).

18. This area of concentration will be deemed successful if, through UNDP-sponsored interventions, local authorities, NGOs and civil society organizations are poised to play a greater role in implementing development priorities and decision makers allocating national development resources take the voice of local actors into account.

D. Environmental Action and Investment Programme

19. To assist the country in incorporating environmental priorities into the economic restructuring process and reform packages, it is proposed to establish an environmental action and investment programme to define the implementation strategy for the international environmental conventions adhered to by Yugoslavia. The programme would entail building environmental management capacity, including recurrent cost-financing and impact-monitoring, incentives for community participation, adequate valuation of the country's natural resources assets, promoting SME environmental projects, developing national markets and the application of environmentally clean technologies.

20. This area of concentration will be deemed successful if, through UNDP-sponsored interventions, environmental considerations are incorporated into the national economic restructuring process and reform packages, and an environmental action and investment programme is approved for implementation.

IV. MANAGEMENT ARRANGEMENTS

Implementation and execution arrangements

21. Given that the overall CCF effort is in support of the national reform initiative, oversight responsibility for UNDP-supported projects will fall under the proposed high-level advisory board for reforms mentioned above.

22. To strengthen national consultative processes for the UNDP-supported components, national management boards will be established to provide strategic management for activities in each area of intervention. The management boards will include representatives of the Government, the UNDP Liaison Office, national professional institutions and beneficiaries and will be opened to the representatives of the international community in the country.

23. The former Yugoslavia was among the forerunners of the government execution modality, applying it from the early 1980s. The experience is still available, thus making national execution a preferred modality. Execution through national institutions, including NGOs, will therefore be favoured, and use of national expertise as well as of experts available from the Transfer of Knowledge Through Expatriate Nationals, the United Nations International Short-Term Advisory Resources and United Nations Volunteers schemes will be considered whenever possible before turning to international consultancy markets.

Programme monitoring and review

24. A triennial report will be prepared to enable the UNDP Programme Management Oversight Committee to assess ongoing activities and, if required, indicate the need for adjustments to maintain programme relevance. Projects will be subject to the usual UNDP monitoring, evaluation and auditing procedures, including progress and technical reports, meetings and visits.

Resource mobilization

25. The initial resource mobilization target for 1997-1999 has been set at $3.333 million, excluding target for resource assignment from the coreline 1.1.2. In addition to contributions in kind, government cost-sharing financing is expected gradually to reach the level of UNDP inputs. Resource mobilization will also be promoted with the private sector in the country and with other external donors.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR YUGOSLAVIA (1997-1999)
(In thousands of United States dollars)

SOURCE	AMOUNT	COMMENTS
UNDP CORE FUNDS		
Estimated IPF carry-over	1,580	
TRAC 1.1.1	376	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
Other resources	1167	In line with decision 95/23, paragraph 19.
SPPD/STS	210	
Subtotal	3333[a]	
NON-CORE FUNDS		
Government cost-sharing		
Sustainable development funds		
Third-party cost-sharing		
Funds, trust funds and other		
Subtotal		
GRAND TOTAL	3333[a]	

a/ Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignment from the core.